

Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 OMB-01 IGA-02 PA-04 PRS-01 USIA-15 L-03

H-03 NSC-07 SS-20 STR-08 CEA-02 DRC-01 /175 W

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R 170923Z MAY 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 2365

INFO AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL MEDAN

AMCONSUL SURABAYA

OECD PARIS 794

C O N F I D E N T I A L JAKARTA 6094

EO 11652: GDS

TAGS: EAID,ID

SUBA:5: MALIK, WARDHANA AND INDONESIAN PRESS ON IGGI

REF : JAKARTA 5737

SUMMARY: FOREIGN MINISTER MALIK TOLD AMBASSADOR MAY 16 RESULTS 16TH IGGI MEETING WERE "GOOD" AND NOTED THAT PRESIDENT SUHARTO "VERY HAPPY" AND "THANKFUL" FOR U.S. EFFORTS. IN SIMILAR VEIN, FINANCE MINISTER ALI WARDHANA IN FURTHER PUBLIC COMMENTS ON IGGI HAS EXPRESSED SATISFACTION WITH IGGI RESULTS. JAKARTA EDITORIAL REACTION HAS THUS FAR BEEN SYMPATHETIC AND THERE HAS BEEN NO REFERENCE TO REDUCED U.S. PLEDGE. EDITORIALS STRESS THAT DONORS CONTINUE TO SUPPORT GOI DEVELOPMENT EFFORT; THAT INDONESIA'S IMPROVED FINANCIAL SITUATION NOW ENABLES IT TO RECEIVE LESS CONCESSIONAL AID--A SIGN OF INCREASED SELF RELIANCE--BUT THAT

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INDONESIA STILL HAS GREAT NEED FOR CONCESSIONAL ASSIS-

TANCE TO MEET DEVELOPMENT NEEDS. EMBASSY IS PLEASED OUR RELATIONS WITH INDONESIA APPEAR TO HAVE WEATHERED ADJUSTMENT IN AID RELATIONSHIP SUCCESSFULLY THANKS TO WASHINGTON'S UNDERSTANDING AND SUPPORT. END SUMMARY

1. DURING MEETING WITH FOREIGN MINISTER MALIK MAY 16, AMBASSADOR ASKED HIS OPINION OF 16TH IGGI MEETING, NOTING THAT WE HAD ACHIEVED ONE-THIRD FORMULA IN OUR PLEDGE, AND HAD TRIED TO BE SUPPORTIVE OF INDONESIA'S REQUEST THROUGH DEMARCHES TO OTHER DONORS, PARTICULARLY JAPAN. AMBASSADOR FURTHER POINTED OUT THAT \$176 MILLION PLEDGE STILL SUBJECT TO CONGRESSIONAL ACTION BUT WE HOPED ALSO TO SEE EX-IM INCREASE ACTIVITY IN INDONESIA, AND THAT EX-IM PRESIDENT WOULD VISIT IN JULY. AMBASSADOR CONCLUDED WITH EXPRESSION OF HOPE PRESIDENT SUHARTO AWARE OF EFFORTS.

2. MALIK TERMED IGGI MEETING "GOOD," NOTING INCREASED PLEDGES BY DUTCH AND GERMANS. MORE IMPORTANTLY HE SAID SUHARTO "VERY HAPPY" AND "THANKFUL" FOR US EFFORTS.

3. FINANCE MINISTER ALI WARDHANA HELD SECOND PRESS CONFERENCE ON IGGI MAY 12 (FIRST WAS HELD MAY 9 FOLLOWING HIS REPORT TO THE PRESIDENT ON IGGI SESSION--SEE REFTEL) TO QUOTE CLARIFY RESULTS OF RECENT IGGI MEETING IN AMSTERDAM UNQUOTE. WARDHANA, WHO WAS ASSISTED BY VICE CHAIRMAN BAPPENAS SUMARLIN, SAID IGGI AID TO INDONESIA FOR FY 74-75 WILL PROBABLY COME TO U.S. \$903-913 MILLION. CALCULATION ASSUMES JAPAN WILL PROVIDE \$150 TO \$155 MILLION, PLACES WORLD BANK AID AT \$250 MILLION, ADB AT \$90 MILLION AND PROJECTS ASSISTANCE FROM THOSE COUNTRIES WHICH DID NOT ANNOUNCE PLEDGES (E.G., FRANCE, ITALY AND CANADA) AT SAME LEVEL AS PREVIOUS YEAR. PRESS REPORTS STATE THAT WARDHANA SAID QUOTE U.S. WILL SUPPLY \$176 MILLION COMPOSED OF \$60 MILLION OF PROJECT AID AND \$116 MILLION OF PL 480 UNQUOTE.

4. ACCORDING TO ARTICLE IN ENGLISH LANGUAGE INDONESIAN CONFIDENTIAL

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OBSERVER, WARDHANA SAID THAT QUOTE INDONESIA AND IGGI HAD ARRIVED AT CONCLUSION THAT INDONESIA CAN NO LONGER EXPECT LOANS AS SOFT IN TERMS AND AS BIG IN SUM AS THOSE RECEIVED FROM DONOR COUNTRIES DURING PAST YEARS UNQUOTE. HE ADDED, HOWEVER, THAT INDONESIA WAS STILL NOT PREPARED TO RECEIVE LOANS ON COMMERCIAL TERMS. WARDHANA FURTHER STATED THAT THERE WAS AGREEMENT AT THE MEETING ON THE FOLLOWING POINTS: (A) INDONESIA'S

ECONOMY IS IMPROVING AND INDONESIA IS NOW IN A POSITION TO RECEIVE LOANS THAT ARE NOT AS SOFT AS THOSE GRANTED IN PAST; (B) CRUDE OIL PRODUCTION IS SIGNIFICANT FACTOR IN CONTRIBUTING TOWARD IMPROVING INDONESIA'S B/P BUT THIS CANNOT BE VIEWED AS SOLVING INDONESIA'S DEVELOPMENT PROBLEMS; AND (C) AID SHOULD STILL BE PROVIDED TO INDONESIA IN VIEW LARGE AMOUNT RESOURCES REQUIRED TO FURTHER DEVELOPMENT EFFORTS. OF PARTICULAR INTEREST WAS WARDHANA'S STATEMENT THAT QUOTE INDONESIA NO LONGER NEEDS MUCH PROGRAM AID IN VIEW OF IMPROVING B/P UNQUOTE AND THAT IGGI HAD AGREED TO GRADUALLY STOP THIS FORM OF ASSISTANCE. WARDHANA SAID THAT QUOTE FOREIGN ASSISTANCE IN THE FUTURE WOULD BE COMPOSED OF PROJECT AID INCLUDING TECHNICAL AID UNQUOTE.

5. JAKARTA DAILIES ALSO GAVE PROMINENT COVERAGE TO MINISTER PRONK'S SYMPATHETIC "UNDERSTANDING" OF INDONESIA'S DEVELOPMENT SITUATION AND STRESSED DONORS' CONTINUING SUPPORT FOR INDONESIA'S DEVELOPMENT PROGRAM, WHICH REFLECTS THEIR SATISFACTION WITH REPELITA I PERFORMANCE. THEY ALSO EMPHASIZED CONTINUING NEED FOR ECONOMIC ASSISTANCE NOTWITHSTANDING PROJECTED EARNINGS FROM OIL AND OTHER COMMODITIES BECAUSE OF GREAT DEVELOPMENT NEEDS, UNEMPLOYMENT AND POPULATION GROWTH. SEVERAL NEWSPAPERS PICKED UP THEME OF INCREASED INDONESIAN SELF-RELIANCE IN FINANCING ITS DEVELOPMENT PROGRAM. BERITA BUANA COMMENTED THAT INDONESIA MUST PREPARE NOW FOR THE DAY WHEN INDONESIA'S AID REQUEST IS NOT FULLY GRANTED. KOMPAS (INDONESIA'S LARGEST CIRCULATION AND MOST PRESTIGIOUS NEWSPAPER) IN LEADING EDITORIAL SAID THAT INDONESIA APPRECIATES IGGI ASSISTANCE MORE THAN IN PAST YEARS SINCE INDUSTRIAL COUNTRIES THEMSELVES ARE QUOTE SWEEPED BY ECONOMIC CRISIS WHICH

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HAS RESULTED IN INFLATION IN THESE COUNTRIES UNQUOTE. ARTICLE CONTINUES WITH STATEMENT THAT INDONESIA'S WILLINGNESS TO ACCEPT LESS THAN FULL CONCESSIONARY FINANCING IS IN PART RECOGNITION OF SCARCITY OF CONCESSIONARY FUNDS BUT ALSO REFLECTS SUCCESSES OF REPELITA I AND RECENT INCREASES IN EXPORT EARNINGS, PARTICULARLY OIL. ARTICLE CONTINUES TO BE NO REFERENCE IN IGGI REPORTING THAT U.S. FIGURE OF \$176 MILLION IS LESS THAN DECEMBER PLEDGE OF \$233 MILLION.

6. COMMENT: INDONESIAN OFFICIAL AND PRESS REACTION TO IGGI RESULTS THUS FAR INDICATE REALISTIC UNDERSTANDING OF INDONESIA'S CHANGED FINANCIAL CIRCUMSTANCES AND THEIR IMPACT ON AID TERMS, ALTHOUGH THERE CONTINUES TO BE STRONG EMPHASIS ON NEED FOR CONTINUED CONCESSIONAL

AID. WE ARE PLEASED THAT, THANKS TO WASHINGTON'S
UNDERSTANDING AND SUPPORT, OUR RELATIONS WITH INDONESIA
HAVE NOT BEEN ADVERSELY AFFECTED BY ALTERATIONS IN TERMS
AND AMOUNT OF OUR PLEDGE AND THAT, BECAUSE OF OUR
CONTINUED STRONG COMMITMENT, WE SEEM AT THIS STAGE AT
LEAST TO BE SUCCESSFULLY MOVING INTO TRANSITIONAL AID RELATION-
SHIP WE HAVE SOUGHT. WE RECOGNIZE THAT UNCERTAINTIES
LIE AHEAD, BUT WE FEEL THESE HAVE BEEN SIGNALLED TO GOI.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, ECONOMIC CONDITIONS, ECONOMIC ASSISTANCE, FOREIGN RELATIONS, INFLATION, MEETINGS, FINANCIAL CONTRIBUTIONS, BANK LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974JAKARTA06094
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740122-0727
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740539/aaaabiny.tel
Line Count: 178
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: JAKARTA 5737
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 24 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 APR 2002 by kelleyw0>; APPROVED <25 FEB 2003 by GarlanWA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: :5: MALIK, WARDHANA AND INDONESIAN PRESS ON IGGI
TAGS: EAID, ID, IGGI, (MALIK, ADAM), (WARDHANA, ALI)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005